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AICPA *Washington Report*

July 2, 1973

Volume I, Issue 26

CIVIL AERONAUTICS BOARD

Copies of the Uniform System of Accounts and Reports for Certificated Air Carriers (USAR) have recently been printed and are available through the GPO. For ordering, specify Catalog No. C31.206/5:973. The price including amendments for an indefinite period is \$10.50 for domestic mailing plus \$2.75 for foreign mailing.

COMMERCE, DEPARTMENT OF

Foreign direct investment regulations amendments are contained in the 6/25/73 Fed. Reg. at p. 16635. The amendments to the regulations affect those transactions taking place after 1/1/73.

CONSUMER PROTECTION AGENCY

"CPA" legislative hearings were conducted by the Subcommittee on Reorganization, Research and International Organizations and the Consumer Subcommittee on 6/28/73. No other announcement regarding this legislation or the intended date of conclusion of hearings was announced.

COST OF LIVING COUNCIL

A public meeting of the Food Industry Advisory Committee has been scheduled for today in the CLC auditorium. Various groups are expected to make presentations on the methods of effectively limiting food price increases during the transition from the freeze period to Phase IV.

Another meeting (closed) of the Committee is scheduled for July 3.

"The Freeze" is a new publication released 6/26/73 by the CLC in which is contained various statements and announcements concerning the freeze and projections regarding Phase IV. Copies of the publication are available by contacting the Council's Office of Public Affairs at 202/254-3900.

Clarification of the reporting requirements under the revised disclosure rules is contained in the 6/26/73 Fed. Reg. at p. 16773. The amendment modifies Section 130.9 of the Council's regulations.

FEDERAL POWER COMMISSION

Copies of the Uniform System of Accounts For Public Utilities and Licensees (A-106) and for Natural Gas Companies (A-102) are available through the GPO. Both are in looseleaf editions and subscriptions include the basic book and all supplements for an indefinite period. Price for the former is \$6.00; \$3.50 for the latter.

The annual report of the FPC, 1972 (A-113) is also available through GPO bookstores at \$1.25 per copy.

FEDERAL RESERVE SYSTEM

An explanation regarding "same day substitutions of securities" in accordance with section 220.129 (Regulation T), as affecting broker dealer transactions is contained in the 6/25/73 Fed. Reg. at p. 16652.

INTERSTATE COMMERCE COMMISSION

John Grady, Director, Bureau of Accounts, recently addressed the National Accounting and Finance Council of the ATA on the "regulatory aspects of the Bureau of Accounts affecting motor carriers." In his address he discussed the newly revised motor carrier system of accounts. Included in his remarks was the matter of identifying differences between GAAP and Commission "policy". He also discussed the auditing function under Commission regulations.

RENEGOTIATION BOARD

Legislation to extend the Renegotiation Act for two years to 6/30/73 has been approved by the Senate Finance Committee without amendment. As in the case of the report issued by the House Ways and Means Committee (93-165), the Finance Committee's report is expected to include a similar statement directing the staffs of the Renegotiation Board and the Joint Committee on Internal Revenue Taxation to study and report on the operations of the renegotiation process.

SECURITIES AND EXCHANGE COMMISSION

A Congressional investigation into the problem of the use of stolen counterfeit and worthless securities has been scheduled by Senator Jackson (D-Wash.). In

his remarks, Mr. Jackson indicated that one of the major reasons for the demise of several large brokerage firms in the past few months has been their inability to locate and account for millions of dollars of securities. He alluded to the Equity and IOS cases.

Senior Commissioner Owens addressed the National Association of Securities Dealers on 6/22/73. He devoted his remarks to the "professionals" and the need to work toward restoring investor confidence. Mr. Owens indicated that the Commission is taking a more active role in establishing standards for accounting firms which certify financial statement filed with the Commission. He stated the Chief Accountant is preparing a preliminary draft of the release on responsibilities of IPAs who audit financial statements filed with the SEC.

Legislative hearings continue before the House Subcommittee on Commerce and Finance. Recently Eugene Miller, Senior Vice President for Marketing and Investor Services of the NYSE in testimony before the Moss Subcommittee indicated that the measure (HR 5050) "will dismantle the securities system as we know it in this country." The hearings on titles II, III and V of the measure are expected to continue following the Independence Day recess.

A bill to regulate clearing agencies and transfer agents has been introduced by Sen. Williams (D-N.J.). It amends the 1934 Securities Exchange Act and provides statutory requirements for these two categories.

Hearings on the measure have been scheduled by the Subcommittee on Securities which Sen. Williams chairs. The hearings commence 7/11 and 12.

TRANSPORTATION, DEPARTMENT OF

Railroad legislation efforts are proceeding in both the House and the Senate. Much of the impetus for action by the Congress is a result of the decision of the Penn Central Transportation Company trustees to file a plan of liquidation in the District Court in Philadelphia. Chairmen of the Senate Commerce Committee and House Commerce Committee have notified Judge Fullam that the Congress expects to act on the NE railroad crisis prior to Fall.

In addition to numerous proposals introduced to date, Sens. Pell and Kennedy have introduced another bill (S. 2080) to provide federal assistance

to encourage the development of improved rail passenger services in transportation corridors in the U. S. It is entitled "The Rail Passenger Service Development Act of 1973." Mr. Pell's introductory remarks are contained in the 6/26/73 Congressional Record at p. S11960.

TREASURY, DEPARTMENT OF

An extension of time for comments in the case of depreciation allowance for property of certain public utilities was granted. The time for submission is now 8/1/73.

Proposed rules amending the Income Tax Regulations regarding "Terminal Railroad Corporations and their Shareholders" appear in the 6/28/73 Fed. Reg. at p. 17010.

Private Pension legislative hearings have been concluded by the Senate subcommittee, and markup of a bill will begin shortly after the Independence Day recess. Sen. Williams (D-N.J.) is anxious to get a Senate vote on pensions prior to the August recess. The Finance Committee Chairman, Sen. Long (D-La.), has indicated that the matter will be put off until September. The pension issue is progressing somewhat faster than many expected, and some form of pension law is expected by early 1974.


The new rules of practice before the United States Tax Court have been made available recently. They become effective 1/1/74. Copies of the rules together with accompanying notes will be printed in the next bound volume of the Tax Court Reports. Single copies are available by writing the Administrative Office, U. S. Tax Court, P. O. Box 70, Washington, D.C. 20044. There is no charge for this document.

VETERANS ADMINISTRATION

Proposed rules on medical school assistance programs are contained in the 6/27/73 Fed. Reg., p. 16917. The proposed rules contain an auditing requirement for either an Administrator or GAO duly authorized representative to conduct such audits. Comments will be accepted until 7/27/73. That issue of the Register also contains in the Notice Section guidance for grantees under this program.

CPAs IN THE NEWS

A. M. Pullen & Co. was named in a suit brought by a Gaithersburg, Md. electronic corporation against a group of underwriters and the firm in connection with an aborted public offering of its common stock. The company, Datavision, accused the underwriters of violating the fraud provisions of the Securities and Exchange Act in breach of contract. The accounting firm was accused of negligence and breach of contract, in that it did not provide "cold comfort letters" required by the underwriting agreement. The company is seeking \$783,000 from the underwriters and a similar amount from Pullen.


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